

Message Text

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PAGE 01 TEL AV 06315 01 OF 02 031600Z

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ACTION NEA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 IO-10

AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03

CIEP-01 LAB-04 SIL-01 OMB-01 /094 W

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R 031445Z OCT 75

FM AMEMBASSY TEL AVIV

TO SECSTATE WASHDC 8479

LIMITED OFFICIAL USE SECTION 1 OF 2 TEL AVIV 6315

E.O. 11652: N/A

TAGS: ELAB PINS IS

SUBJ: IMPACT OF NEW GOI ECONOMIC MEASURES ON PROSPECT
FOR WAGE NEGOTIATIONS AND INDUSTRIAL PEACE

REF: A. TEL AVIV 6170 B. TEL AVIV 6256

1. SUMMARY: LABOR MINISTRY, HISTADRUT, AND MANUFACTURERS' ASSOCIATION OFFICIALS HAVE EXPRESSED CONFIDENCE TO LABATT THAT DESPITE FLURRY OF PROTEST AGAINST GOI TAX AND AUSTERITY MEASURES AND DEVALUATION (SEE REFTEL) THE PRESENT CLIMATE OF HISTADRUT-GOI ACCOMMODATION RE WAGE RESTRAINTS WILL CONTINUE AND THAT ISRAELI PUBLIC WILL ACCEPT ADDITIONAL TAX AND AUSTERITY MEASURES ANNOUNCED FOR 1976. NEW ROUND OF WAGE NEGOTIATIONS EXPECTED BE BEGIN NOVEMBER/DECEMBER WITH FINAL AGREEMENTS DUE IN MARCH OR APRIL. END SUMMARY.

2. AS STORMY HISTADRUT EXECUTIVE COMMITTEE MEETING ON SEPT 30 AND CONTINUING FLURRIES OF BRIEF PROTEST STRIKES SHOW, THERE IS STRONG FEELING AMONG WORKERS THAT WHILE SACRIFICES ARE NECESSARY, THE NEW GOI MEASURES PLACE DISPROPORTIONATE BURDENS ON THEM AND THAT HISTADRUT
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PAGE 02 TEL AV 06315 01 OF 02 031600Z

LEADERSHIP HAS NOT BEEN SUFFICIENTLY ASSERTIVE IN

NEGOTIATIONS WITH GOI RE THIS PINT. MODERATE LABOR LEADERS POINT OUT THAT INDIGNATION OVER ALLEGED INJUSTICE SOMETIMES AROUSES ISRAELI PASSIONS WAY BEYOND MERIT OF ISSUES, THUS INJECTING VOLATILE ELEMENT INTO POLITICAL ATMOSPHERE.

3. PRINCIPAL HISTADRUT COMPLAINTS ARE A). THAT GOI CONSULTATION WITH UNION LEADERS AND EXPERTS WAS TOO PER-
FUNCTORY; B) THAT DEVALUATIONS AND TAX INCREASES AT FREQUENT INTERVALS CREATE ECONOMIC UNCERTAINTIES LEADING TO HOARDING, SPECULATION, AND OTHER INQUITIES FOR WAGE EARNERS AND CONSUMERS; AND C) THAT PRESENT TAX SYSTEM CONTINUES TO PUT GREATER BURDENS ON WAGE EARNERS THAN ON BUSINESS AND SELF-EMPLOYED.

4. SHARPEST PUBLIC ATTACKS HAVE COME SO FAR FROM LIKUD FACTION ON THE RIGHT WHICH CONTROLS ABOUT 23 PER CENT OF HISTADRUT VOTES AND SEVERAL SMALL RADICAL FACTIONS ON THE LEFT, INCLUDING THE TWO COMMUNIST GROUPS RAKAH AND MOKED AND THE BLACK PANTHERS, WHO TOGETHER HAVE ONLY FIVE PERCENT OF VOTES. HOWEVER, DISAGREEMENT OVER GOI MEASURES REPORTEDLY HAS ALSO AGGRAVATED ALREADY EXISTING STRAINS BETWEEN LABOR PARTY AND MAPAM WHICH TOGETHER FORM DOMINANT FORCE BOTH IN HISTADRUT AND GOVERNMENT. ALTHOUGH TALKS OF MAPAM LEAVING THE LABOR ALIGNMENT, EITHER IN HISTADRUT OR THE GOI, ARE SO FAR NOT TAKEN TOO SERIOUSLY, HISTADRUT SECRETARY GENERAL MESHEL IS SUFFICIENTLY CONCERNED OVER THESE STRAINS TO HAVE SUDDENLY CANCELLED HIS TRIP TO ATTEND AFL-CIO CONVENTION IN SAN FRANCISCO AND THE ICFTU CONFERENCE IN MEXICO CITY. MESHEL AND KEY AIDES ALSO DISCUSSED POLITICAL IMPLICATIONS OF LABOR PROTEST WITH PRIMIN OCT 3.

5. MESHEL IN CONVERSATIONS WITH AMBASSADOR TOON ON SEPT 29 AND WITH HIS OWN ASSOCIATES HAS EXPRESSED CONFIDENCE THAT THESE CHALLENGES ARE MANAGEABLE. IN ORDER TO CALM THE OPPOSITION HE HAS PROMISED THAT IF COST OF LIVING RISES BY MORE THAN FIVE PER CENT IN OCTOBER AS IS EXPECTED, HISTADRUT WOULD LIMITED OFFICIAL USE

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PAGE 03 TEL AV 06315 01 OF 02 031600Z

SEEK EARLIER REOPENING OF WAGE AGREEMENT DUE TO EXPIRE AT END OF YEAR. SINCE WAGE NEGOTIATIONS ARE DUE TO BEGIN IN ANY CASE BEFORE THEN , THIS PROMISE IS NOT VIEWED AS CHANGE OF HISTADRUT POLICY.

6. TO DEAL WITH WAGE PROBLEM MESHEL SUGGESTED THAT INDUSTRIAL AND LOCAL UNIONS BE GIVEN GREATER AUTONOMY FOR DETERMINING WAGES IN THEIR RESPECTIVE INDUSTRIES

AND ENTERPRISES IN ORDER TO BREAK WITH CURRENT SYSTEM OF NATIONAL "WAGE LINKAGE" WHICH COMMITS EVERY UNION TO FIGHT FOR ADJUSTMENTS WHENEVER RELATIVE WAGE LEVEL OF ITS MEMBERS FALLS BEHIND THAT OF OTHER GROUPS.

7. ADDRESSING HIMSELF TO THE QUESTION OF MOUNTING RANK AND FILE INDIGNATION OVER THE INEQUITY OF THE TAX SYSTEM, MESHEL HAS PROMISED TO DEMAND PROMPT LEGAL AND ADMINISTRATIVE REFORMS OF THE PRESENT INCOME TAX SYSTEM IN ORDER TO MAKE COLLECTION OF TAXES FROM BUSINESSES AND SELF EMPLOYED MORE EFFICIENT AND EQUITABLE. GOVT OFFICIALS HAVE INDICATED THAT WHILE MINISTRY OF FINANCE DOES NOT EXPECT A SUBSTANTIAL INCREASES OF TAX REVENUES AS A RESULT OF SUCH REFORMS, GOI WILL PROBABLY BE RESPONSIVE TO HISTADRUT DEMAND.

8. SPOKESMAN FOR THE MANUFACTURERS' ASSOCIATION HAS INDICATED THAT BUSINESS COMMUNITY EXPECTS THAT CURRENT ARRANGEMENT WHEREBY COST OF LIVING ADJUSTMENTS ARE LIMITED TO 70 PERCENT OF COST OF LIVING INDEX INCREASE WILL BE CONTINUED AND THAT OVERALL WAGES OF BLUE COLLAR WORKERS WILL BE INCREASED BY 4-5 PERCENT, WHEREAS CIVIL SERVANTS AND WHITE COLLAR SERVICE EMPLOYEES WILL BE LIMITED FOR MOST PART TO PRESENT COST OF LIVING ADJUSTMENT FORMULA. NATIONAL SECRETARY OF METAL WORKERS HAS SIMILARLY INDICATED THAT ONLY MODEST WAGE INCREASES EXPECTED NEXT YEAR; THAT SOME INTERIM ADJUSTMENTS MAY BE ASKED FOR ON AN ENTERPRISE BY ENTERPRISE BASIS TO AVOID POSSIBLE CHAIN REACTION, AND THAT MANUAL WORKERS ARE TO BE FAVORED BY NATIONAL AGREEMENT OVER WHITE COLLAR AND PROFESSIONAL WORKERS AS A MATTER OF LONG RANGE POLICY.

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PAGE 01 TEL AV 06315 02 OF 02 031549Z

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ACTION NEA-10

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NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 IO-10

AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03

CIEP-01 LAB-04 SIL-01 OMB-01 /094 W

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FM AMEMBASSY TEL AVIV
TO SECSTATE WASHDC 8480

LIMITED OFFICIAL USE SECTION 2 OF 2 TEL AVIV 6315

9. COMMENT: PRINCIPAL QUESTION MARK IN THIS GENERALLY REASSURING PICTURE WILL BE THE ATTITUDE OF PROFESSIONAL UNIONS, SOME OF WHICH CONTROL ESSENTIAL SERVICES AND TEND TO ALIGN THEMSELVES EITHER WITH MILITANT RIGHT OR LEFT WING OPPOSITION IN HISTADRUT. THE HAVE PERSISTENTLY COMPLAINED THAT THEIR RELATIVE ALARY LVEEL VIS A VIS OTHER GROUPS OF WAGE EARNERS HAS STEADILY DETERIORATED SINCE 1971. HISTADRUT HAS AGREED TO HAVE A PANEL OF EXPERTS REVIEW NOT ONLY THEIR SALARIES, BUT ALSO THEIR SPECIAL FRINGE BENEFITS AND PROFESSIONAL PERQUISITES. IF EITHER THE UNIONS OR THE GOI REFUSE TO ACCEPT THESE FINDINGS, THESE MILITANT GROUPS MAY TRY TO SABOTAGE CURRENT WAGE RESTRAINT POLICY. OTHER POSSIBILITY IS THAT IF GOI MISTIMES INSTITUTION OF NEW TAX AND AUSTERITY MEASURES, ESPECIALLY BEFORE 1976 WAGE AGREEMENTS ARE CONFIRMED, THIS TOO COULD ALTER INDUSTRIAL RELATIONS AND POLITICAL CLIMATE. IN THIS CONNECTION IT IS NOTEWORTHY THAT ACCORDING TO LEGAL COUNSELOR OF MINISTRY OF LABOR, GOI PLANS TO INTRODUCE NEW LEGISLATION BEFORE JANUARY 1976, PROVIDING FOR MORE STRINGENT CIVIL LIABILITIES PLUS LOSS OF JOB TENURE NOT ONLY IN CASES OF UNAUTHORIZED STRIKES BUT ALSO OF WORK SLOWDOWNS. ALTHOUGH
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PAGE 02 TEL AV 06315 02 OF 02 031549Z

HISTADRUT IS OFFICIALLY OPPOSED TO SUCH MEASURE, THE MINISTRY FEELS THAT THEREIS NOW GOOD CHANCE FOR LAW TO BE PASSED, WITH HISTADRUT OUT OF SELF-INTEREST NOT ACTIVELY OPPOSING IT.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: LABOR RELATIONS, WAGES, ANTIINFLATIONARY PROGRAMS, DEVALUATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 03 OCT 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: greeneet
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975TELAV06315
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750344-0146
From: TEL AVIV
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751086/aaaacytv.tel
Line Count: 211
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 TEL AVIV 6170, 75 TEL AVIV 6256
Review Action: RELEASED, APPROVED
Review Authority: greeneet
Review Comment: n/a
Review Content Flags:
Review Date: 11 AUG 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <11 AUG 2003 by izenbei0>; APPROVED <28 NOV 2003 by greeneet>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: IMPACT OF NEW GOI ECONOMIC MEASURES ON PROSPECT FOR WAGE NEGOTIATIONS AND INDUSTRIAL PEACE
TAGS: ELAB, PINS, IS
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006